

# **EXHIBIT A**

1

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K  
ANNUAL REPORT

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2000  
OR  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NO. 1-5627

ITT INDUSTRIES, INC.

&lt;TABLE&gt;

&lt;S&gt;

INCORPORATED IN THE STATE OF INDIANA

&lt;C&gt;

13-5158950  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

&lt;/TABLE&gt;

4 WEST RED OAK LANE, WHITE PLAINS, NY 10604  
(PRINCIPAL EXECUTIVE OFFICE)

TELEPHONE NUMBER: (914) 641-2000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT, ALL OF WHICH ARE  
REGISTERED ON THE NEW YORK STOCK EXCHANGE, INC.:  
COMMON STOCK, \$1 PAR VALUE (ALSO REGISTERED ON PACIFIC STOCK EXCHANGE)  
SERIES A PARTICIPATING CUMULATIVE PREFERRED STOCK PURCHASE RIGHTS (ALSO  
REGISTERED ON PACIFIC STOCK EXCHANGE)  
8 7/8% SENIOR DEBENTURES DUE JUNE 2003  
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE.

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject  
to such filing requirements for the past 90 days. Yes X No

....

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K (sec.229.405 of this chapter) is not contained herein, and  
will not be contained, to the best of registrant's knowledge, in definitive  
proxy or information statements incorporated by reference in Part III of this  
Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Common Stock of the registrant held by  
non-affiliates of the registrant on January 31, 2001 was approximately \$3.5  
billion.

As of February 28, 2001, there were outstanding 87,914,595 shares of Common  
Stock, \$1 par value, of the registrant.

## DOCUMENTS INCORPORATED BY REFERENCE

The registrant's definitive proxy statement filed or to be filed with the  
Securities and Exchange Commission pursuant to Regulation 14A involving the  
election of directors at the annual meeting of the shareholders of the  
registrant scheduled to be held on May 15, 2001, is incorporated by reference in  
Part III of this Form 10-K.

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 \* Included pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

## PART I

## ITEM 1. BUSINESS

ITT Industries, Inc., with 2000 sales of approximately \$4.8 billion, is a global multi-industry company engaged directly and through its subsidiaries in the design and manufacture of a wide range of engineered products and the provision of related services. We are focused on the four principal business segments of Connectors & Switches, Defense Products & Services, Pumps & Complementary Products, and Specialty Products.

Our World Headquarters is located at 4 West Red Oak Lane, White Plains, NY 10604. We have approximately 42,000 employees based in 49 countries. Unless the context otherwise indicates, references herein to "ITT Industries," the "Company," and such words as "we," "us," and "our" include ITT Industries, Inc. and its subsidiaries. ITT Industries, Inc. was incorporated on September 5, 1995 in Indiana. Reference is made to "-- COMPANY HISTORY AND CERTAIN RELATIONSHIPS." Our telephone number is (914) 641-2000.

The table below shows, in percentage terms, our consolidated sales and revenues and operating income (excluding restructuring and other special items) attributable to each of our ongoing lines of business for the last three years:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
SALES AND REVENUES			
Connectors & Switches.....	16%	11%	12%
Defense Products & Services.....	28	31	29
Pumps & Complementary Products..	36	37	39
Specialty Products.....	20	21	19
Other.....	--	--	1
	---	---	---
	100%	100%	100%
	===	===	===
OPERATING INCOME			
Connectors & Switches.....	20%	15%	16%
Defense Products & Services.....	24	27	30
Pumps & Complementary Products..	39	40	45
Specialty Products.....	28	32	28
Other.....	(11)	(14)	(19)
	---	---	---
	100%	100%	100%
	===	===	===

</TABLE>

#### BUSINESS AND PRODUCTS

##### CONNECTORS & SWITCHES

Connectors & Switches, with sales and revenues of approximately \$774.6 million, \$516.0 million, and \$527.9 million for 2000, 1999, and 1998, respectively, is a significant connector and switch company that develops and manufactures connectors, interconnects, cable assemblies, switches, key pads, multi-function grips, panel switch assemblies, dome arrays, input/output (I/O) card kits, smart card systems, LAN components, high-speed/high-bandwidth network systems, and related services.

Connectors & Switches consists of products and services for the areas of communications, industrial, transportation, consumer, military/aerospace, computer, and commercial aircraft.

In the communications area, Connectors & Switches designs products and provides services specifically for today's fast-growing transmission and networking industries. These products and services include connectors, interconnects, cable assemblies, keypads, switches, panel switch assemblies, I/O card kits, smart card systems, and LAN components, as well as high-speed/high-bandwidth network systems and services. They are used in wireless, carrier networks, enterprise networks, datacommunications, transmission, and switching applications.

In the industrial area, Connectors & Switches' products are incorporated in various industrial equipment and control products, including DL zero insertion force connectors, cable assemblies, electromechanical switches, and device control interfaces. They are used in industrial controls, production equipment, and instrument applications. Medical applications include robotic surgical, ultrasound, and other diagnostic equipment.

In the transportation area, Connectors & Switches' products are incorporated in off-highway, heavy-vehicle, and automotive applications. The products include high reliability connectors, multi-function control assemblies,

and the K12 Series Switch used in powertrain, instrument controls, and chassis applications.

In the consumer area, Connectors & Switches primarily supplies keypads for remote control devices.

In the military/aerospace area, Connectors & Switches supplies products for mission-critical applications ranging from below the ocean to deep in space. The products include circular, microminiature, fiber optic, and "special" connectors used in military electronics, missiles, and space applications.

In the computer area, Connectors & Switches supplies keypads, connectors, and switches for computers and computer peripherals.

In the commercial aircraft area, Connectors & Switches supplies highly reliable light, space-saving products for technically advanced aircraft. The products include rack and panel, circular, and fiber optic connectors. Their applications range from avionics (flight control, communications and navigation) to passenger in-flight entertainment systems.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	----	----	----
<S>	<C>	<C>	<C>
Communications.....	39%	32%	29%
Industrial.....	17	20	18
Transportation.....	11	14	13
Consumer.....	10	6	5
Military/Aerospace.....	10	13	17
Computer.....	7	5	5
Commercial Aircraft.....	6	10	13
	---	---	---
	100%	100%	100%
	===	===	===

</TABLE>

Order backlog for Connectors & Switches was \$207.9 million in 2000, compared with \$158.6 million in 1999 and \$130.2 million in 1998.

Connectors & Switches products are marketed primarily under the Cannon(R) brand name.

The level of activity for Connectors & Switches is affected by overall economic conditions in the markets served and the competitive position with respect to price, quality, technical expertise, and customer service. See  
 "--- COMPETITION."

Connectors & Switches companies have an aggregate of approximately 14,800 employees and have 31 facilities located in 12 countries.

#### DEFENSE PRODUCTS & SERVICES

Defense Products & Services, with sales and revenues of approximately \$1.33 billion, \$1.41 billion, and \$1.29 billion for 2000, 1999, and 1998, respectively, develops, manufactures, and supports high technology electronic systems and components for worldwide defense and commercial markets. Operations are in North America, Europe, and the Middle East. Product groups are government services, tactical mobile communications, night vision, airborne electronic warfare, satellite instruments, and radar and other.

Defense Products & Services concentrates its efforts primarily in those market segments where management believes it can be a market leader. It is a leading supplier of products that management believes will be critical to the armed forces in the 21st century. This particularly includes products designated to facilitate communications in the forward area battlefield, night vision devices that enable soldiers to conduct night combat operations, and airborne electronic warfare systems that protect aircraft from enemy missiles. Management believes that Defense Products & Services may also benefit from trends to commercialize and outsource military support services.

Defense Products & Services consists of the two major areas of (i) systems and services and (ii) defense electronics. Systems and services consists of our systems business and our advanced engineering and sciences business. Defense electronics consists of our aerospace and communications business, our night vision business, and our avionics business.

#### Systems and Services

The Systems Division is involved in support services and systems engineering. This business provides military base operations support, equipment and facility maintenance, and training services for government sites around the world.

The Advanced Engineering & Sciences Division is involved in communications systems and engineering and applied research. This business provides advanced technology services and customized products to government, industrial, and commercial customers in the areas of information technology, consulting and technical assistance, military systems effects and analysis, and hardware design, test, and evaluation.

#### Defense Electronics

The ITT Aerospace/Communications Division ("A/CD") manufactures products, including voice and data systems, that facilitate communications in the forward area battlefield. A/CD produces the Single Channel Ground and Airborne Radio System ("SINGARS") and has a contract to produce the Near Term Digital Radio ("NTDR"), which has data transmission capacity twenty times greater than SINGARS. A/CD also produces sophisticated sounding and imaging instruments such as those used by the National Oceanographic and Atmospheric Agency in remote sensing space payloads to track hurricanes, tornadoes, and other weather patterns. In addition, A/CD provides navigation payloads for the Global Positioning System ("GPS") navigation satellite.

The Night Vision Division provides advanced goggles for airborne and ground applications which give United States and allied soldiers the capability to conduct night combat operations. Night Vision is the leading full service supplier of Generation III night vision products to the United States and allied military forces. Night Vision also produces a commercial line of night vision products for law enforcement, marine, and recreational applications.

The Avionics Division produces airborne electronic warfare systems, such as the Airborne Self-Protection Jammer ("ASPJ"), to help protect aircraft from radar-guided weapons. Avionics is developing for the United States Army the next-generation fully integrated airborne electronic warfare system for rotary wing aircraft called a Suite of Integrated Radio Frequency Countermeasures ("SIRFC"). Avionics,

teamed with BAE Systems, is also developing the United States Integrated Defensive Countermeasures ("IDECM") system for fixed wing aircraft such as the F/A-18 E/F fighter fleet. The Avionics Division is a co-developer of the integrated communications, navigation and identification system for the U.S. Air Force F-22 Raptor.

Defense Products & Services also produces and installs ship and air defense radar and air traffic control systems both in the United States and internationally.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Systems and Services			
Systems.....	32%	37%	40%
Advanced Engineering & Sciences.....	13	--	--
Defense Electronics			
A/CD.....	32	37	37
Night Vision.....	15	14	12
Avionics.....	8	12	11
	---	---	---
	100%	100%	100%
	===	===	===

</TABLE>

Defense Products & Services sells its products to a wide variety of governmental and non-governmental entities located throughout the world. Approximately 97% of 2000 sales and revenues of Defense Products & Services was to governmental entities, of which approximately 84% was to the United States Government (principally in defense programs).

A substantial portion of the work of Defense Products & Services is performed in the United States under prime contracts and subcontracts, some of which by statute are subject to profit limitations and all of which are subject to termination by the United States Government. Apart from the United States Government, no other governmental or commercial customer accounted for more than 3.5% of 2000 sales and revenues for Defense Products & Services.

Sales and revenues to non-governmental entities as a percentage of total sales and revenues for Defense Products & Services were 3% in 2000, 3% in 1999, and 2% in 1998. Certain products sold by Defense Products & Services have particular commercial application, including night vision devices and radar systems. In addition, Defense Products & Services, in partnership with California Commercial Spaceport, Inc. in a venture known as Spaceport Systems International, provides full service payload processing and launch capability for small to medium satellite systems in low polar earth orbits.

Order backlog for Defense Products & Services was \$2.41 billion in 2000, compared with \$1.84 billion in 1999 and \$2.22 billion in 1998.

The level of activity in Defense Products & Services is affected by overall defense budgets, the portion of those budgets devoted to products and services of the type provided by Defense Products & Services, demand and budget availability for such products and services in areas other than defense, and other factors. See "-- COMPETITION."

Defense Products & Services companies have an aggregate of approximately 9,200 employees and have 95 facilities in 15 countries.

#### PUMPS & COMPLEMENTARY PRODUCTS

Pumps & Complementary Products, with sales and revenues of approximately \$1.75 billion, \$1.74 billion, and \$1.77 billion for 2000, 1999, and 1998, respectively, is engaged in the design, development, production, sale, and after-sale support of products, systems and services used to move, measure, and manage fluids. Pumps & Complementary Products is a leading worldwide supplier of a broad range of pumps, mixers, heat exchangers, valves, and systems for residential, agricultural, commercial, municipal, and industrial applications. Major production and assembly facilities are located in Argentina, Australia, Austria, Canada, China, England, Germany, Italy, Malaysia, Mexico, the Philippines, South Korea, Sweden, and the United States. Principal customers are in North America, Europe, the Middle East, Africa, Latin America, and the Asia/Pacific region. No single customer accounted for more than 2% of 2000 sales for Pumps & Complementary Products. Sales are made directly and through independent distributors and representatives.

Pumps & Complementary Products offers a wide range of product and system solutions for the two major areas of water and wastewater and industrial and process.

## Water and Wastewater

Water and wastewater consists of our Flygt Division, our Fluid Handling Division, our Water Technology Division, and our Lowara business. The water and wastewater business provides submersible and dry-mount pumps, submersible mixers, valves, and sequential batch reactor wastewater treatment systems.

Our Flygt Division is the world's originator and largest manufacturer of submersible pumps and mixers. These pumps and mixers form the heart of many of the world's sewage and wastewater treatment facilities. As the world's leading producer of fluid handling machinery for treating and recycling wastewater, ITT Industries actively promotes more efficient use and re-use of water and endeavors to raise the level of awareness of the need to preserve and protect the earth's water resources. Sanitaire(R) and ABJ(TM) brands are leaders in aeration products and systems for municipal and industrial wastewater treatment. The broad range of products includes ceramic and membrane fine bubble diffusers, stainless steel coarse bubble diffusers, in-place cleaning systems, and complete activated sludge plants. Combining Flygt's submersible pumps and mixers with Sanitaire and ABJ products provides a solution to customers' needs for complete system solutions in wastewater treatment.

Goulds Pumps ("Goulds") provides pumps and accessories for residential, agriculture and irrigation, sewage and drainage, commercial, and light industrial use. In the residential market, Goulds offers a wide range of water systems products, including state-of-the-art submersible and jet pumps, pressure tanks, controls and special use pumps for the home water well industry. Over one quarter of all well water pumps in North America are supplied by Goulds.

Other products serving the water and wastewater market are supplied by Lowara and by our A-C Custom Pump Division ("A-C Pump"). Lowara is a leader in stainless steel manufacturing technology. Its pumps are used in residential, agriculture, and irrigation applications. Dry mount pumps from A-C Pump provide an alternative technical solution to submersible pumps when high horsepower is needed. Typical application areas are sewage and sludge handling, circulating water applications for power plants, desalinization, and flood control.

Submersible pumps and line shaft turbine pumps provide for the pumping needs of agriculture, aquaculture, golf courses, and similar applications. Our wide range of submersible drainage pumps from Flygt serves the construction market by dewatering construction sites on a global basis. A-C Pump has been in the forefront of developing, designing, and custom building a wide range of fire pump systems, including prefabricated, turnkey fire pump packages, and house units that meet every fire protection need. Through our Bell & Gossett Division, we provide a broad variety of products for environmental control in buildings and for building service and utility applications. We are market leaders in liquid-based heating and air conditioning systems and our liquid level control and steam trap products for boiler and steam systems through our McDonnell & Miller(R) and Hoffman Specialty(R) brand name products. With extensive product offerings of pumps, heat exchangers, valves, and control equipment for the power industry, we provide a level of experience and expertise to solve the most difficult fluid handling problems. Double suction, horizontal multistage, and vertical turbine pumps handle the most demanding condensate or circulating water needs. Also available are pumps for slurry, ash handling, and other tough applications.

## Industrial & Process

In the industrial & process business, Pumps & Complementary Products offers a broad line of pumps with applications ranging from pharmaceutical uses to enormous pumps for cooling power plants. We offer a broad line of industrial pumps for moving abrasives, corrosives, slurries, solids or other liquids. We are the ANSI standard process pump market leader. Our chemical process pumps and valves are available in a wide variety of alloys. Other unique non-metallic pumps and valves provide advantages when handling severe corrosives. A line of "sealless" magnetic drive pumps from our Goulds and Richter units is offered for services where leakage cannot be tolerated. In mining and mineral applications, our pumps and valves provide a wide range of corrosion and abrasion resistance. The pumps are designed for vertical, horizontal, submersible situations for coal prep plants, mine slurries, and dewatering applications. Vertical turbine pumps, API process pumps, vertical can pumps for low NPSH, fire pumps and submersibles as well as high per-



formance valves are available for the oil refining and gas processing industries. Our heavy duty stock pumps and a complete line of double suction and LoPulse(R) fan pumps are designed for pulp and paper applications.

Life Cycle Costing

Life cycle cost is the total system cost over the life of that system. It includes installation, energy costs, maintenance, decommissioning, as well as the original purchase price -- which generally is a small fraction of the overall life cycle cost. ITT Industries is focused on improving the total life cycle cost for customers through the application of technology. With energy conservation becoming increasingly important from a cost control as well as environmental perspective, life cycle costing initiatives create another factor in market differentiation.

#### Global Service and Customer Care

Through our Pro-Service Shops, ITT Industries has built a global network of service centers for aftermarket customer care. Our aftermarket capabilities include the repair and service of all brands of pumps and rotating equipment, engineering upgrades, contract maintenance, and inventory management services. We offer field service solutions for troubleshooting, disassembly, on-site repairs, and emergency service.

#### ITT Fluid Technology -- On-Line

Electronic commerce at ITT Industries is exemplified by the web site of our Bell & Gossett Division. There, contractors and specifying engineers are now able to view products, select and quote complex pumping systems, use software for pipe sizing and pressure drop analysis, as well as engage in helpful on-line engineering dialogue.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Water and Wastewater			
Flygt.....	35%	35%	33%
Fluid Handling Division....	17	17	16
Water Technology			
Division.....	14	13	12
Lowara.....	8	8	9
Industrial & Process			
Industrial Pump Group.....	26	27	30
	---	---	---
	100%	100%	100%
	===	===	===

</TABLE>

Our management believes that Pumps & Complementary Products has a solid technology base and proven expertise in designing its products to meet customer needs. Management believes that the continuing development of new products will enable Pumps & Complementary Products to maintain and build market leadership positions in served markets.

Order backlog for Pumps & Complementary Products was \$264.0 million in 2000, compared with \$273.8 million in 1999 and \$269.7 million in 1998.

Brand names include ABJ(TM), A-C(TM) Pump, Bell & Gossett(R), Flygt(R), Goulds(R), Hoffman Specialty(R), ITT Standard(R), Lowara(R), McDonnell & Miller(R), Richter(R), Sanitaire(R), and Vogel(R).

The level of activity in Pumps & Complementary Products is dependent upon economic conditions in the markets served, weather conditions, in the case of municipal markets, the ability of municipalities to fund projects for our products and services, and other factors. See "-- COMPETITION."

Pumps & Complementary Products companies have an aggregate of approximately 10,400 employees and have 273 facilities in 35 countries.

#### SPECIALTY PRODUCTS

Specialty Products, with sales and revenues of approximately \$972.4 million, \$959.5 million, and \$849.3 million for 2000, 1999, and 1998, respectively, comprises a group of units operating in a range of specialty market segments. Operations are located principally in North America and Europe, with sales in Latin America and Asia supported through joint ventures or distribution arrangements. Specialty Products

consists of the areas of Fluid Handling Systems, Flow Control, Galfer, and Koni.

ITT Fluid Handling Systems designs and produces engineered tubing systems and connectors for use in applications such as braking systems, fuel supply, and other fluid transfer applications in transportation or industrial uses. Fluid Handling Systems' principle customers are the major North American and European automotive makers, their key Tier 1 suppliers, and other similar customers. Ford, General Motors, and Chrysler, with their respective affiliates, account for approximately 31%, 21%, and 10%, respectively, of the sales of this unit. Fluid Handling also owns 50% of a joint venture with Sanoh Industrial Co. of Japan that supplies similar products to the major Japanese transplant manufacturers in the United States.

The Flow Control group consists of Jabsco, HydroAir, Engineered Valves, Aerospace, and Conoflow. The Jabsco Division is the world's leading producer of pumps and related products for the leisure marine market. Products are sold worldwide under the brand names Jabsco(R), Rule(R), Flojet(R), and Danforth(R). Flojet is also a leading producer of pumps and components for beverage and other specialty industrial fluid dispensing applications. Specialty Products' units, under the brand names HydroAir(R) and Marlow(R), design and manufacture pumps and other components for manufacturers of whirlpool and spa baths.

ITT Engineered Valves designs and manufactures precision valves for Bio-pharmaceutical and other similar applications under the brand name Pure-Flo(R), and for severe service chemical and mining applications under brand names including Dia-Flo(R) and Fabri-Valve(R). Sales are achieved through a worldwide network of distributors and service organizations.

ITT Aerospace Controls designs switches, valves, and controls for aerospace applications. Principal customers are North American aircraft manufacturers where the quality and performance required for FAA certification is a key factor. This unit also sells switches to industrial customers for severe service applications.

Specialty Products also markets pressure regulators and diaphragm seals for industrial applications and natural gas vehicles under the brand name Conoflow(R).

Galfer designs and manufactures quality friction pads for braking applications on vehicles. From three facilities in Italy, Galfer services most European OEM auto makers and also operates a substantial facility for research and testing of new materials. Approximately 29% of Galfer's business is in aftermarket activity.

Koni designs and markets adjustable shock absorbers under the brand name KONI(R) for high performance vehicles, trucks, buses, and railways. Customers are principally in Europe, North America, and Asia.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Fluid Handling Systems.....	44%	45%	43%
Flow Control.....	33	30	29
Galfer.....	14	16	18
Koni.....	9	9	10
	100%	100%	100%
	===	===	===

</TABLE>

The level of activity for Specialty Products depends upon economic conditions in the served markets, particularly the automotive and the marine and leisure markets. See "-- COMPETITION." Order backlog is not a significant factor in this segment.

Specialty Products companies have an aggregate of approximately 7,100 employees and have 44 facilities located in 11 countries.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and see Note 20 "BUSINESS SEGMENT INFORMATION" to "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details with respect to business segments.

#### MANAGEMENT INITIATIVES

Management has undertaken a number of initiatives focused on enhancing the value of the Company. During 2000, we initiated a Value-Based Six Sigma program directed toward implementing continuing process improvements. The program is multi-faceted and involves a number of factors, including leadership development, production and marketing rationalizations, and product development. Also included in our initiatives is the central theme of re-deploying cash, as well as concepts of portfolio management, emphasizing growth areas, cultivating our people, realizing added value from our technology, and maintaining consistent results.

## ACQUISITIONS, DIVESTITURES, RESTRUCTURING, AND RELATED MATTERS

We have been involved in an ongoing program of acquiring businesses that provide a rational fit with businesses we presently conduct and divesting businesses that do not enhance that fit.

During 2000, we acquired C & K Components, Inc., a designer and manufacturer of switches for the telecommunications, computer, and electronic equipment markets. We also acquired the Man Machine Interface business of TRW, a manufacturer of multi-layer switch components and assemblies for the wireless mobile handset market. Both acquisitions are for our Connectors & Switches segment. In addition, we acquired the business of Aerotherm Corporation, a company that makes guidance systems for target missiles, and sold our GaAsTEK business, both with respect to our Defense Products & Services segment.

During 1999, we acquired STX Pte. Ltd. for our Connectors & Switches segment, the space and defense communications businesses of Stanford Telecommunications, Inc. and K and M Electronics, Inc. for our Defense Products & Services segment, Water Pollution Control Corp. (now our Sanitaire Division) and assets of Energy Machine Service, Inc. for our Pumps & Complementary Products segment, and Hydro Air Industries and Flojet Corp. (now our Flojet Division) for our Specialty Products segment. In addition, we made an investment in EarthWatch Incorporated for our Defense Products & Services segment and divested all, or portions of, our Community Development Corporation, Carbon Industries, and Palm Coast Utility businesses.

In 1998, we acquired Great American Gumball Corporation for our Connectors & Switches segment and A.G. Johansons Metallfabrik AB, Rule Industries, Inc., Sinton Engineering Co. Limited, and Sinton (UK) Limited for our Specialty Products segment.

On September 25, 1998, we completed the sale to Continental AG and certain of its subsidiaries of our business of designing, developing, manufacturing, and marketing brake systems and chassis modules for the automotive industry worldwide for approximately \$1.93 billion in cash. That business was conducted through various direct and indirect subsidiaries, and joint ventures in which we held an ownership interest.

On September 28, 1998, we completed the sale to Valeo SA and certain of its subsidiaries of our business of designing, developing, manufacturing, and marketing electrical motors and actuators, air management and engine cooling products, wiper and washer systems, lamps, power antennas, switches, and sensors for the automotive industry worldwide for approximately \$1.7 billion in cash. That business was conducted through various direct and indirect subsidiaries and joint ventures in which we held an ownership interest.

After-tax proceeds from the sales of our automotive Brake and Chassis and our automotive Electrical Systems businesses were directed to reducing debt, funding acquisitions, investing in our remaining businesses and repurchasing approximately 30.5 million of our shares. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- RISKS AND UNCERTAINTIES -- SALES OF AUTOMOTIVE BUSINESSES" AND NOTE 5 "DISCONTINUED OPERATIONS" TO "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further information regarding sales of automotive businesses and discontinued operations. Also during 1998 we divested our Barton fluid measurement and Pomona Electronics businesses.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- LIQUIDITY AND CAPITAL RESOURCES -- STATUS OF RESTRUCTURING ACTIVITIES."

## GEOGRAPHIC MARKETS

The geographic sales base of Connectors & Switches is predominantly in Europe, which accounted for 41% of 2000 sales and revenues, the United States, which accounted for 37% of 2000 sales and revenues, and the Asia/Pacific region, which accounted for 20% of 2000 sales and revenues. Connectors & Switches has facilities in Costa Rica as well as facilities in the Asia/Pacific region, including two joint ventures in China, a wholly-owned subsidiary in Japan, the San Teh key pad unit (STX Pte. Ltd.) headquartered in Singapore with four manufacturing locations in China, and the Man Machine Interface (MMI) manufacturing facility in China. These Asia/Pacific operations supply connectors and switch products across a broad market spectrum, including the communications, industrial, and consumer sectors.